

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. NO.: 4240-05  
BILL NO.: HCS for SB 922  
SUBJECT: Retirement  
TYPE: Original  
DATE: April 18, 2000

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
All State Funds	(\$11,664,115)	(\$13,996,938)	(\$13,996,938)
Highway Fund	(\$6,319,000)	(\$7,582,800)	(\$7,582,800)
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>(\$17,983,115)</b>	<b>(\$21,579,738)</b>	<b>(\$21,579,738)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS *</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
<b>City of St. Louis</b>	<b>\$0</b>	<b>(\$600,000)</b>	<b>(\$600,000)</b>

**\*DOES NOT REFLECT INCREASE IN UNFUNDED ACTUARIAL ACCRUED LIABILITIES OF THE KANSAS CITY POLICE AND CIVILIAN EMPLOYEES' RETIREMENT SYSTEMS WHICH ARE NOT CONSIDERED LOCAL FUNDS FOR FISCAL NOTE PURPOSES.**

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 7 pages.

---

## FISCAL ANALYSIS

### ASSUMPTION

Officials of the **Joint Committee on Public Employee Retirement** have reviewed this proposal and have determined that it represents a “substantial proposed change” in future plan benefits as defined in section 105.660(5), RSMo. Therefore, an actuarial cost statement must be provided prior to final action on this legislation by either legislative body or committee thereof.

Officials of the **Office of Administration** assume fiscal impact would be determined by the Firemen’s Retirement System of St. Louis.

Officials of the **Firemen’s Retirement System of St. Louis** obtained an actuarial analysis which indicates that the cost of raising the minimum benefit for retirees and widows to 100% and 75% of the federal poverty level, respectively, would increase the system’s unfunded accrued actuarial liabilities and increase the contributions by the City of St. Louis by \$600,000 annually.

**St. Louis Police Retirement System** officials assume the proposal would have no fiscal impact to their system, as none of the provisions represent benefit improvements.

Officials of the **Kansas City Police and Civilian Employees’ Retirement Systems** obtained an actuarial analysis of the proposal which indicated that the provisions that would result in costs to the systems are as follows:

- Increasing pension benefit multiplier to 2.5% of final compensation per year of service for a maximum of 30 years of 75% of final compensation (from present 2% for maximum of 60%). This would apply automatically to all members employed after August 28, 2000. Members in service on August 28, 2000, would have the option at time of retirement of either accepting pension based on 2% per year of service prior to August 28, 2000, and 2.5% per year of service thereafter, or paying into the system 1% of actual compensation in each year prior to August 28, 2000 in return for a pension based on the 2.5% multiplier for each year of service (Police only).
- Allowing cost-of-living adjustments (COLAs) up to 3% annually without regard to the Consumer Price Index (applies to Police and Civilian Employees).
- Permitting surviving spouses (including all current pension-entitled surviving spouses and all pension-entitled surviving spouses of current retirees) to remarry without loss of pension (Police only).

ASSUMPTION (continued)

- Increasing the minimum base pension to \$600 without reduction by supplemental payments (Police only).

The systems' actuary notes that the analysis is based on assumptions used in the May 1, 1999 actuarial valuation, except that it reflects a change to the averaging period for calculating the actuarial value of assets from five years to three years (when spreading investment gains and losses). The actuary concluded that the proposed contribution rate schedule, which includes an increase in member contributions only, is actuarially sufficient to provide the current legislated retirement benefits plus those included in this proposal, assuming the retirement board approves the change in the method for asset valuation. On that basis, no additional increase in City or member contributions would be necessary to fund this proposal.

**Oversight** notes that **while there is fiscal impact to the Police and Civilian Employees' Retirement Systems, there is no immediate cost to the City of Kansas City as a result of this proposal.** Funds of the retirement systems are not considered local funds for fiscal note purposes. There will be long-term fiscal impact as a result of this legislation, since an increase in the system's liabilities will contribute to any need for increased future contributions from the City of Kansas City.

Officials of the **Local Government Employees' Retirement System (LAGERS)** assume the proposal would have no fiscal impact to the system or result in increased contributions by employers, except for those employers who voluntarily adopt certain provisions.

Officials of the **County Employees' Retirement Fund (CERF)** assume the proposal would have no actuarial fiscal impact. They would expect to incur administrative costs to divide benefit payments between members and third parties and additional trustee fees for issuing payments to a third party of approximately \$5,000 to \$7,000 per year during the fiscal note period. **Oversight** assumes these costs would be absorbed by CERF and that counties would not be fiscally impacted.

Officials of the **Missouri State Employees' Retirement System (MOSERS)** assume the proposal would increase the benefit multiplier in the Missouri State Employees' Plan (MSEP) from 1.6% to 1.7% for all active, terminated-vested, and retired members. Based on an actuarial analysis obtained by MOSERS, the state's contribution rate would increase from 11.59% to 12.47%, or an annual increase in contributions of \$13,768,053 based on a valuation payroll of \$1,564,551,532 as of June 30, 1999.

ASSUMPTION (continued)

In addition, the proposal would allow a retired judge to receive additional cost-of-living adjustments (COLAs) based upon the difference between the judge's current benefit amount and the amount the judge would have received had the retired judge been eligible to accrue COLAs from the earliest date of retirement eligibility. An actuarial analysis indicates the proposal would require an increase in the state's contribution rate for the judicial retirement plan from 55.30% to 55.97% of covered payroll. Based on the valuation payroll of \$34,162,013 as of June 30, 1999, the increase in the total annual contribution would be approximately \$228,885. There are no retroactive payments included in this cost.

Total increased state contributions to MOSERS would approximate \$13,996,938 annually.

Officials of the **Highway and Transportation Employees' and Highway Patrol Retirement System** assume the proposal would increase the benefit multiplier in the closed plan from 1.6% to 1.7% and from 2.13% to 2.27% for uniformed patrol. Based on an actuarial analysis, annual increases in contributions to the system are estimated to be \$5,133,600 for the Department of Transportation (MoDOT) and \$2,449,200 for the Missouri Highway Patrol (MHP).

Officials of the **Public School Retirement System** assume the proposal would allow for the promulgation of rules to recognize service credit in the four school retirement systems to establish eligibility for retirement benefits. Since no credit or assets would be transferred to or from any of the retirement systems, the proposal would not create a "substantial proposed change" in benefits and would have no actuarial cost impact.

Officials of the **St. Louis Public School Retirement System** assume the proposal would have no measurable fiscal impact on their system.

Officials of the **Kansas City Public School Retirement System** assume the proposal would have no fiscal impact to the system.

	FY 2001	FY 2002	FY 2003
<u>FISCAL IMPACT - State Government</u>	(10 Mo.)		
<b>ALL STATE FUNDS</b>			
<u>Costs</u> - increased contributions to MOSERS	<u>(\$11,664,115)</u>	<u>(\$13,996,938)</u>	<u>(\$13,996,938)</u>

	FY 2001 (10 Mo.)	FY 2002	FY 2003
<u>FISCAL IMPACT - State Government</u>			

**HIGHWAY FUND**

Costs-MoDOT

Increased retirement contributions	(\$4,278,000)	(\$5,133,600)	(\$5,133,600)
------------------------------------	---------------	---------------	---------------

Costs-MHP

Increased retirement contributions	<u>(\$2,041,000)</u>	<u>(\$2,449,200)</u>	<u>(\$2,449,200)</u>
------------------------------------	----------------------	----------------------	----------------------

**ESTIMATED NET EFFECT ON  
 HIGHWAY FUND**

	<u>(\$6,319,000)</u>	<u>(\$7,582,800)</u>	<u>(\$7,582,800)</u>
--	----------------------	----------------------	----------------------

	FY 2001 (10 Mo.)	FY 2002	FY 2003
<u>FISCAL IMPACT - Local Government *</u>			

**CITY OF ST. LOUIS**

Costs - increased contributions to  
 Firemen's Retirement System

	<u>\$0</u>	<u>(\$600,000)</u>	<u>(\$600,000)</u>
--	------------	--------------------	--------------------

**\*DOES NOT REFLECT INCREASE IN UNFUNDED ACTUARIAL ACCRUED  
 LIABILITIES OF KANSAS CITY POLICE AND CIVILIAN EMPLOYEES'  
 RETIREMENT SYSTEMS, WHICH ARE NOT CONSIDERED LOCAL FUND FOR  
 FISCAL NOTE PURPOSES.**

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

The proposal would change the minimum benefit for retirees and widows under the Firemen's Retirement System of St. Louis to 100% and 75% of the federal poverty level, respectively.

The proposal makes numerous changes to the Missouri State Employees' Retirement System and the Highways and Transportation Employees' and Highway Patrol Retirement System. It would increase the benefit multipliers in the Missouri State Employees' Retirement System and the Highway and Transportation Employees' Retirement System.

DESCRIPTION (continued)

The proposal would allow a judge who retired prior to August 28, 1995 to receive additional cost-of-living adjustments (COLAs) based upon the difference between the judge's current benefit amount and the amount the judge would have received had the retired judge been eligible to accrue COLAs from the earliest date of retirement eligibility.

The proposal would make several revisions to the Local Government Employees' Retirement System (LAGERS). Employers may allow adoption of an existing benefit program for members also covered by Social Security and may add a new benefit program for members not also covered by social security. The proposal also includes several administrative changes.

The proposal would provide that benefits payable under the County Employees' Retirement Fund would not be subject to execution, garnishment, or attachment, except for the collection of child support after a member begins receiving payments.

This proposal extensively revises the provisions of the St. Louis Police Retirement System. Most of the changes are technical, making terminology consistent, updating out-of-date references, and eliminating obsolete provisions.

This proposal makes several changes and clarifications in statutes pertaining to the Kansas City Police and Civilian Employees' Retirement System. Among the changes are: (1) The Board may grant cost of living adjustments of up to three percent per year for both police and civilian retirees; (2) Surviving spouses of police officers will be permitted to remarry without loss of pension benefits; (3) The minimum base pension for police retirees will be \$600 per month; (4) Increased pension benefit multiplier to 2.5% of final compensation per year of service for maximum of 30 years or 75% of final compensation.

The proposal clarifies that charter schools are considered public schools and are covered by the St. Louis and Kansas City Public School Retirement Systems.

The proposal provides for the promulgation of rules to recognize service credit to establish eligibility for retirement benefits in the Public School Retirement System, Non-Teacher School Employee Retirement System, St. Louis Public School Retirement System, and Kansas City Public School Retirement System.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

L.R. NO. 4240-05  
BILL NO. HCS for SB 922  
PAGE 7 OF 7  
April 18, 2000

SOURCES OF INFORMATION

Joint Committee on Public Employee Retirement  
Office of Administration  
Firemen's Retirement System of St. Louis  
St. Louis Police Retirement System  
Kansas City Police and Civilian Employees' Retirement System  
Missouri State Employees' Retirement System  
Highway and Transportation Employees' and Highway Patrol Retirement System  
Local Government Employees' Retirement System  
County Employees' Retirement Fund  
Public School Retirement System  
St. Louis Public School Retirement System  
Kansas City Public School Retirement System



Jeanne Jarrett, CPA  
Director  
April 18, 2000